



# FINAL ANNUAL BUDGET OF **KAMIESBERG** **MUNICIPALITY**

**2012/13 TO 2018/19  
MEDIUM TERM REVENUE AND  
EXPENDITURE FORECASTS**

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## **Table of Contents**

### **Part 1 – Annual Budget**

- 1.1 Mayor's Report
- 1.2 Council Resolutions
- 1.3 Executive Summary
- 1.4 Operating Revenue Framework
- 1.5 Operating Expenditure Framework
- 1.6 Capital expenditure

### **Part 2 – Supporting Documentation**

- 2.1 Overview of the annual budget process
- 2.2 Overview of alignment of annual budget with IDP
- 2.3 Measurable performance objectives and indicators
- 2.4 Overview of budget related policies
- 2.5 Overview of budget assumptions
- 2.6 Overview of budget funding
- 2.7 Expenditure on grants and reconciliations of unspent funds
- 2.8 Councillor and employee benefits
- 2.9 Monthly targets for revenue, expenditure and cash flow
- 2.10 Annual budgets and SDBIPs – internal departments
- 2.11 Contracts having future budgetary implications
- 2.12 Capital expenditure details
- 2.13 Legislation compliance status
- 2.14 Other supporting documents
- 2.15 Municipal manager's quality certificate

**Abbreviations and Acronyms**

AMR Automated Meter Reading  
 CFO Chief Financial Officer  
 CPI Consumer Price Index  
 DBSA Development Bank of South Africa  
 DoRA Division of Revenue Act  
 DWA Department of Water Affairs  
 EE Employment Equity  
 FBS Free basic services  
 GDP Gross domestic product  
 GFS Government Financial Statistics  
 GRAP General Recognised Accounting Practice  
 HR Human Resources  
 IDP Integrated Development Plan  
 IT Information Technology  
 kℓ kilolitre  
 km kilometre  
 KPA Key Performance Area  
 KPI Key Performance Indicator  
 kWh kilowatt  
 ℓ litre  
 LED Local Economic Development  
 MFMA Municipal Financial Management Act

Programme  
 MIG Municipal Infrastructure Grant  
 MM Municipal Manager  
 MPRA Municipal Properties Rates Act  
 MSA Municipal Systems Act  
 MTEF Medium-term Expenditure Framework  
 MTREF Medium-term Revenue and Expenditure Framework  
 NERSA National Electricity Regulator South Africa  
 NGO Non-Governmental organisations  
 NKPIs National Key Performance Indicators  
 PMS Performance Management System  
 PPE Property Plant and Equipment  
 PPP Public Private Partnership  
 SALGA South African Local Government Association  
 SDBIP Service Delivery Budget Implementation Plan  
 SMME Small Micro and Medium Enterprises

## **Part 1 – Annual Budget**

### **Mayor's Report**

Agbare Raadslede, Munisipale Amptenare, Departemente, lede van die Publiek dit verskaf my groot genot om die 2016/17 Munisipale Begroting aan u voor te hou.

Die Begroting is 'n Finansiële vooruitskatting van inkomste en uitgawes van die Munisipaliteit. Ek bied hierdie Begroting op die agtergrond van vele prestasies in 2015/16 Finansiële jaar.

Dit is die moeite werd om te noem dat die Munisipaliteit al die basiese dienste kan lewer aan die gemeenskap. Ons voorsien 'n gemiddeld van 2000 hulpbehoewendes met gratis basiese water, elektrisiteit, gesubsidieerde vullisverwydering en sanitasie.

Ek bied die volgende Begroting items. Die begrote inkomste van 2016/17 beloop R46 435 000 en Uitgawes beloop R50 637 000. Dit laat ons dus met 'n verlies van R4 202 000 op die Operasionele Begroting wat toe geskryf kan word aan die nie kontant uitgawes soos Waardevermindering en Oninbare skulde. Voorsiening word ook getref vir R 2 542 000 vir hulpbehoewende subsidies.

### **Sleutel Begrote Uitgawe Items**

Begrote uitgawes vir 2016/17 Finansiële jaar is gebaseer op die werklike uitgawes tot Maart 2016 en vooruitskattings vir die res van die Finansiële jaar. Sommige items is begroot op 'n Nul-basis.

### **Personeelkoste**

- Salarisse beloop **34%** van die totale Begroting wat onder die norm van 37% is.
- 'n Algemene verhoging van 6.6% word vir salarisse begroot soos per omsendbrief 79 van Nasionale Tesourie.

### **Algemene Uitgawes**

Algemene Koste beloop R14 284000 en verteenwoordig 35% van die totale Begroting. Dit sluit in die daaglikse bedryfskoste van die Munisipaliteit.

### **Materiaal en Grootmaat dienste**

Die materiaal en grootmaat dienste beloop R 13 610 000 wat hoofsaaklik bestaan uit elektrisiteit voorsiening aan die inwoners.

## **Kapitale Uitgawes**

Die totale Kapitale Begroting vir 2016/17 beloop R8 406 000.

Die volgende projekte gaan gesubsidieer word deur die MIG grant:

- Garies Grootmaat water voorsiening
- Rooifontein Grootmaat water voorsiening (EIA proses)
- Paulshoek Grootmaat water voorsiening (EIA proses)
- Kamieskroon Grootmaat water voorsiening (EIA proses)

Die DORA allokasie vir 2016/17 is n bedrag van R 1 200 000 bewillig vir n sport fasiliteit.

## **Financial Management Grant (FMG)**

Nasionale Tesourie het R2 010 000 toegeken vir die verbetering van die Finansiële bestuur hervormings in die Munisipaliteite waarvan die grootste gedeelte aangewend word vir die aanstelling van Interns en kapasitering van werknemers.

## **Management Systems Improvement Grant (MSIG)**

Die MSIG toekening word nie toegeken aan munisipaliteite in die 2016/17 finansiële jaar.

## **Dienste Tariewe**

Munisipaliteite moet streef om te verseker dat inkomste vooruitskattings akkuraat, realisties en versamelbaar is. Die voorgeskrewe groei deur die Nasionale Tesourie vir 2016/17 is gebruik as 'n basis om te bly binne die Inflasie en ekonomiese tendense.

Alle tariewe vir lewering van dienste word verhoog met 'n gemiddeld van 6.6%, dit sluit in water, vullisverwydering en riolering. Die tariewe van elektrisiteit verhoog met 9.4% soos per NERSA riglyne.

## **Gratis Basiese Dienste**

Registreerde houshoudings met 'n bruto inkomste van nie meer as R 3 300 per huishouding per maand kwalifiseer vir subsidie op dienste. Hulle kry 2 kiloliter water, gratis water beskikbaarheid, 50 kwh elektrisiteit en gratis vullisverwydering en 50% gesubsidieerde riool dienste.

## Council Resolutions

On 11<sup>TH</sup> May 2016 the Council of Kamiesberg Local Municipality met in the Council Chambers of Kamiesberg Municipality to consider the Final Annual Budget of the municipality for the financial year 2016/17. The Council approved and adopted the following resolutions:

1. The Council of Kamiesberg Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The final annual budget of the municipality for the financial year 2016/17 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification).
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote).
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type).
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.
2. The Council of Kamiesberg Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2016:
  - 2.1. the tariffs for property rates
  - 2.2. the tariffs for electricity
  - 2.3. the tariffs for the supply of water
  - 2.4. the tariffs for sanitation services
  - 2.5. the tariffs for solid waste services
  - 2.6. sundry income
3. The Council of Kamiesberg Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2016 the tariffs for other services.

## Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainable, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 51, 54, 58, 59, 66, 67, 70, 72, 74, 75, 78 and 79 were used to guide the compilation of the 2016/17 MTREF.

The main challenges experienced during the compilation of the 2016/17 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging of water, sewerage, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continues to exceed consumer inflation.
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2016/17 MTREF process; and
- Operating with an old fleet which is putting pressure on the repairs and maintenance budget.
- The municipality is grant dependant seeing that more than 60% of its households are indigent.
- The vastness of the municipal jurisdiction also attributes to the increase in direct and indirect cost to provide services to remote communities.

The following budget principles and guidelines directly informed the compilation of the 2016/17 MTREF:

- The 2015/16 Adjustments Budget priorities and targets, as well as the base line allocations contained in the Adjustments Budget were adopted as the upper limits for the new baselines for the 2016/17 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2016/17 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2016/17 MTREF**

<b>R thousands</b>	<b>Budget Year 2015/16</b>	<b>Budget Year 2016/17</b>	<b>Budget Year 2017/18</b>
Total Operating Revenue	39 639 000	46 435 000	48 587 000
Total Operating Expenditure	52 253 000	50 637 000	50 777 000
Surplus/(Deficit) for the year	(12 560 000)	( 4 202 000)	(2 190 000)
Total Capital Expenditure	9 016 000	9 606 000	7 619 000

Total operating revenue has increased by R6 796 000 million for the 2016/17 financial year when compared to the 2015/16 Budget it can be attributed to a 6.6% increase as well as the strict adherence to the credit control policy

Total operating expenditure for the 2016/17 financial year has been appropriated at R50 637 000 million and translates into a budgeted deficit of R4 202 000 million which consist mainly of the non-cash items such as depreciation and debt impairment.

The capital budget of R9 606 000 million for 2016/17 has increase with R 590 000 compared to the 2015/16 Budget.



For Kamiesberg Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

- National Treasury's guidelines and macroeconomic policy;
- Efficient revenue management, which aims to ensure a 65 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

**Table 2 Summary of revenue classified by main revenue source**[illegible]

services		-	591	1	12	12	12	-	-	-
Sport and recreation		-	610	116	985	985	985	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		7	1	1				1		1
Planning and development		025	052	157	707	707	707	957	879	001
Road transport		200	284	273	700	700	700	752	661	771
Environmental protection		6	768	884	7	7	7	205	218	230
		825	-	-	-	-	-	-	-	-
		8	11	14	22	22	22	24	24	26
<b>Trading services</b>		029	433	817	071	540	540	656	875	056
Electricity		3	4	7	6	7	7	7	7	8
Water		510	630	124	572	041	041	155	598	047
Waste water management		2	3	4	11	11	11	13	13	13
		039	699	342	886	886	886	809	357	858
		1	1	1	1	1	1	1	1	1
		024	327	409	535	535	535	395	481	568
		1	1	1	2	2	2	2	2	2
Waste management		456	777	942	078	078	078	297	439	583
		4								
<b>Other</b>	4	649	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	2	49	33	45	52	47	47	56	56	59
		023	631	957	888	653	653	032	195	263
<b>Expenditure - Standard</b>	-									
<b>Governance and administration</b>		31	26	28	22	23	23	26	25	24
		612	105	089	564	854	854	156	976	362
		17	7	3	4	4	4	5	5	5
Executive and council		846	133	585	574	574	574	080	394	713
Budget and treasury office		9	15	9	12	13	13	13	12	9
		986	415	826	656	946	946	034	041	604
		3	3	14	5	5	5	8	8	9
Corporate services		780	557	678	334	334	334	042	541	045
<b>Community and public safety</b>				1						
Community and social services		-	-	266	140	990	990	-	-	-
		-	-	186	140	990	990	-	-	-
Sport and recreation		-	-	80	-	-	-	-	-	-
<b>Economic and environmental services</b>		7	4	3	3	3	3	4	3	4
		631	009	546	416	480	480	896	999	235
Planning and development		1			1	1	1	2	1	1
		456	847	897	344	376	376	710	678	777
		6	3	2	2	2	2	2	2	2
Road transport		175	162	649	072	104	104	186	321	458
Environmental protection		-	-	-	-	-	-	-	-	-
		12	24	20	26	23	23	19	20	22
<b>Trading services</b>		929	014	250	986	929	929	587	802	028
		9	12	12	13	12	12	12	12	13
Electricity		836	544	202	454	179	179	113	864	622
		1	7	3	9	7	7	3	3	3
Water		968	898	069	505	983	983	370	579	790
Waste water management		605	-	70	968	708	708	989	237	487
			3	4	2	2	2	3	4	4
Waste management		520	572	909	059	059	059	115	122	129
<b>Other</b>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	3	52	54	52	54	52	52	50	50	50
		172	128	151	106	253	253	639	777	625
<b>Surplus/(Deficit) for the year</b>		(3	(20	(6	(1	(4	(4	5	5	8
		149)	497)	194)	218)	600)	600)	393	418	638

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Plans are in place to address the lack of revenue collected and improve the collection rate. The increase in outer years can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. There is an urgent need to review the tariffs on services to reflect an effective and market related tariff that is sustainable.

**Table 3 Operating Transfers and Grant Receipts**

NC064 Kamiesberg - Supporting Table SA18 Transfers and grant receipts

Description  R thousand	R ef	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcom e	Audited Outcom e	Audited Outcom e	Original Budget	Adjuste d Budget	Full Year Forecas t	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>RECEIPTS:</b>	1, 2									
<b>- Operating Transfers and Grants</b>		14	16	17	20	13	13	21	21	23
<b>National Government:</b>		341	221	888	368	965	965	185	769	155
Local Government Equitable Share		12	13	15	17	11	11	18	19	20
Finance Management		041	681	154	563	160	160	175	424	555
EPWP Incentive Municipal Systems Improvement		1	1	1	1	1	1	2	2	2
		500	650	800	875	875	875	010	345	600
								000	-	-
		800	890	934	930	930	930	-	-	-
<b>Provincial Government:</b>		405	462	-	965	965	965	981	044	044
Sport and Recreation		405	462	-	965	965	965	981	044	044
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
<b>Total Operating Transfers and Grants</b>	5	14	16	17	21	14	14	22	22	24
		746	683	888	333	930	930	166	813	199
<b>Capital Transfers and Grants</b>										
<b>National Government:</b>		-	11	9	7	7	7	9	7	8
Municipal Infrastructure Grant (MIG)			11	9	7	7	7	9	7	7
			686	129	460	460	460	606	619	781

Integrated National Electrification Programme		-	-	-	500	500	500	-	-	1 000
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Capital Transfers and Grants	5	-	11 686	9 129	7 960	7 960	7 960	9 606	7 619	8 781
TOTAL RECEIPTS OF TRANSFERS & GRANTS		14 746	28 369	27 017	29 293	22 890	22 890	31 772	30 432	32 980

It is planned that tariffs will be reviewed in every budget process as tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges are revised, local economic conditions, input costs and the affordability of services will be taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipalities has undertaken the tariff setting process relating to service charges as follows.

## Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rateable value (Section 17(h) of the MPRA).

**Table 4 Comparison of proposed rates to be levied for the 2015/16 financial year**

<i>Category</i>	<i>Current tariff (1 July 2015)</i>	<i>Proposed tariff (1 July 2016)</i>
Residential Properties	0.012612859	0.013445308
Business & Commercial	0.018919289	0.020167962
State owned properties	0.031532149	0.03361327
Agriculture	0.000529682	0.000564641
Mining activities	0.031532149	0.03361327

### **Sale of Water and Impact of Tariff Increases**

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Kamiesberg Municipality carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

Better maintenance of infrastructure and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

A tariff increase of 6.0 per cent from 1 July 2015 for water is proposed. This is based on circular 79 issued by National Treasury.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

**Table 5 Proposed Water Tariffs**

<b>Category</b> <b>Residential</b>	<b>Current tariff</b> <b>(1 July 2015)</b>	<b>Proposed tariff</b> <b>(1 July 2016)</b>
0-2kl	Free	Free
2-10kl	10.18	10.85
10-20kl	13.09	13.96
20-30kl	23.27	24.81
30kl+	33.45	35.66

<b>Category</b> <b>Commercial</b>	<b>Current tariff</b> <b>(1 July 2015)</b>	<b>Proposed tariff</b> <b>(1 July 2016)</b>
0-10kl	10.18	10.85
10-20kl	13.09	13.96
20-30kl	23.27	24.81
30kl+	33.45	35.66

### **Sale of Electricity and Impact of Tariff Increases**

NERSA has announced the revised bulk electricity pricing structure. A 9.4 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2016.

Considering the Eskom increases, the consumer tariff had to be increased by 9.4 per cent to offset the additional bulk purchase cost from 1 July 2016. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

Currently electricity is operating at a deficit. The Municipality will have to implement a strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributor to this deficit is distribution losses. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of electricity be undertaken, and that this include investigating alternative service delivery models.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality. The upgrading of the Municipalities electricity network has become a strategic priority, especially the substations and transmission lines.

### **Sanitation and Impact of Tariff Increases**

A tariff increase of 6.0 per cent for sanitation from 1 July 2016 is proposed. This is based on the input cost assumptions related to water. The following factors contribute to the proposed tariff increase:

- Free sewerage (50 per cent) will be applicable to registered indigents; and

The following table compares the current and proposed tariffs:

**Table 6 Comparison between current sanitation charges and increases**

<i>Category</i>	<i>Current tariff (1 July 2015)</i>	<i>Proposed tariff (1 July 2016)</i>
Residential	156.40	166.72
Churches	156.40	166.72
Business	169.01	180.17
High Volume users	338.02	360.33
Drain per pull	158.48	184.88
Hospital /Schools/Hostel	338.25	360.57

### **Waste Removal and Impact of Tariff Increases**

Currently solid waste removal is operating at a surplus. A 6.0 per cent increase in the waste removal tariff is proposed from 1 July 2016. Higher increases will not be viable in 2016/17 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services.

The following table compares current and proposed amounts payable from 1 July 2016:

**Table 7 Comparison between current waste removal fees and increases**

<i>Category</i>	<i>Current tariff (1 July 2015)</i>	<i>Proposed tariff (1 July 2016)</i>
Residential	63.06	67.23
Business	117.30	125.04
Hospital /Schools/Hostel	117.30	125.04

### **Operating Expenditure Framework**

The Municipalities expenditure framework for the 2016/17 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) ;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2016/17 budget and MTREF (classified per main type of operating expenditure):

**Table 8 Summary of operating expenditure by standard classification item**

NC064 Kamiesberg - Table A2 Consolidated Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	R ef	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Revenue - Standard</b>										
<i>Governance and administration</i>		29	19	29	29	23	23	29	30	32
		320	945	866	113	409	409	419	441	206
Executive and council		11	(1	(3						
		559	821)	792)	–	–	–	–	–	–
Budget and treasury office		17	21	32	28	23	23	28	29	31
		494	043	252	819	115	115	356	312	010
Corporate services				1				1	1	1
		267	723	406	294	294	294	063	129	196
<i>Community and public safety</i>			1							
Community and social services		–	201	117	997	997	997	–	–	–
		–	591	1	12	12	12	–	–	–
Sport and recreation		–	610	116	985	985	985	–	–	–
Public safety		–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>		7	1	1				1		1
		025	052	157	707	707	707	957	879	001
Planning and development		200	284	273	700	700	700	752	661	771
Road transport		6	768	884	7	7	7	205	218	230
Environmental protection		–	–	–	–	–	–	–	–	–
<i>Trading services</i>		8	11	14	22	22	22	24	24	26
		029	433	817	071	540	540	656	875	056
Electricity		3	4	7	6	7	7	7	7	8
		510	630	124	572	041	041	155	598	047
Water		2	3	4	11	11	11	13	13	13
		039	699	342	886	886	886	809	357	858
Waste water management		1	1	1	1	1	1	1	1	1
		024	327	409	535	535	535	395	481	568
Waste management		1	1	1	2	2	2	2	2	2
		456	777	942	078	078	078	297	439	583
<i>Other</i>		4								
		649	–	–	–	–	–	–	–	–
<b>Total Revenue - Standard</b>	2	49	33	45	52	47	47	56	56	59
		023	631	957	888	653	653	032	195	263



<b>Expenditure - Standard</b>	-									
<i>Governance and administration</i>		31	26	28	22	23	23	26	25	24
	612	17	105	089	564	854	854	156	976	362
Executive and council	846	9	133	585	574	574	574	080	394	713
Budget and treasury office	986	3	415	826	656	946	946	034	041	604
Corporate services	780		557	678	334	334	334	042	541	045
<i>Community and public safety</i>	-	-	-	266	140	990	990	-	-	-
Community and social services	-	-	-	186	140	990	990	-	-	-
Sport and recreation	-	-	-	80	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		7	4	3	3	3	3	4	3	4
	631	1	009	546	416	480	480	896	999	235
Planning and development	456	6	847	897	344	376	376	710	678	777
Road transport	175		162	649	072	104	104	186	321	458
Environmental protection	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		12	24	20	26	23	23	19	20	22
	929	9	014	250	986	929	929	587	802	028
Electricity	836	1	544	202	454	179	179	113	864	622
Water	968		898	069	505	983	983	370	579	790
Waste water management	605		-	70	968	708	708	989	237	487
Waste management	520		572	909	059	059	059	115	122	129
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	3	52	54	52	54	52	52	50	50	50
<b>Surplus/(Deficit) for the year</b>		(3	(20	(6	(1	(4	(4	5	5	8
		149)	497)	194)	218)	600)	600)	393	418	638

Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6.0 per cent for the 2016/17 financial year.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipalities budget.

Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R2 865 000 million for the 2016/17 financial year. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years. The asset register is GRAP compliant. The transfer of

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures exclude distribution losses.

### Free Basic Services: Basic Social Services Package

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act. An amount of R 2 542 000 have been budgeted for free basic services.

For 2016/17 an amount of R9 606 000 has been appropriated for the development of infrastructure on the capital budget especially water infrastructure. An amount of R1 200 000 is ring fenced for the development of a sport facility by the Department of Sport and Recreation South Africa.

[illegible]

ROADS		-	-	-	-	-	-	-	-	-	-
Vote 10 - WASTE WATER MANAGEMENT		195	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	18 486	2 037	9 093	7 960	9 016	9 016	9 016	9 606	7 619	8 781
Capital single-year expenditure sub-total		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Vote		18 486	2 037	9 093	7 960	9 016	9 016	9 016	9 606	7 619	8 781

## **Part 2 – Supporting Documentation**

### **Overview of the annual budget process**

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee is incorporated in the Financial Steering Committee and consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipalities IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

## Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2011) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 28 August 2015. Key dates applicable to the process were:

Item No	Period	Activity	Co – Co-ordinating Department	Responsibility	Legislative Requirement and Information	Target date
1.	<b>Jun 2015</b>	Ward Committee Meetings to review the prioritisation of community needs in approved IDP: Communicate final approved 15/16 Budget, Tariffs and IDP to Ward Committees.	Mayor's office	Speaker	MSA	July 2015
7	<b>Jul 2015</b>	Signing of 2015/16 performance contracts for Section 56 Managers.	Office of the MM	Municipal Manager	MFMA S53(1)(c)(iii)	31 July 2015
9		Final Section 56 Managers 2014/15 Performance Assessments	MM	Municipal Manager Mayor	MSA and MFMA	31 July 2015
11	<b>Aug 2015</b>	Tabling of and briefing Council on the 2016/17 IDP/Budget Process Plan for approval, including time schedules for IDP/Budget Public participation meetings.	IDP Office/BTO	Chief Financial Officer	MFMA S21(1)(b)	31 August 2015
17	<b>Sep 2015</b>	Advertise the budget process and dates of IDP/Budget Public meetings on Municipal Website	IDP Office	IDP Office Municipal Manager	MSA and MFMA	3 September 2015
23	<b>Oct 2015</b>	Ward Committee Meetings: Discuss, scrutinise community needs as outcome of IDP/ Budget public engagement. Escalate community needs relating national/ provincial mandates to relevant organ(s) of state	IDP Office	IDP Office	MSA	5 – 9 October 2015
30		Submit Quarterly Report	Office of the MM	Mayor	MFMA S52(d)	30 October 2015

		(July 2015 – September 2015) on implementation of budget and financial state of affairs to Council				
34	<b>Nov 2015</b>	Managers Identify/Create Projects as outcome of the prioritisation of development needs during IDP public engagements sessions within projected budget allocations.	All Departments	CFO Managers	MSA	9 – 13 November 2015
39		Based on financial statements of 2014/15 determine municipality's financial position & assess its financial capacity & available funding for next three years	BTO	CFO	Internal Process	30 November 2015
41		Submit Bulk Resource documentation electricity (NERSA)) for consultation on municipal tariffs for 2016/17 and the two outer Budget years.	BTO	CFO	Internal Process	30 November 2015
48	<b>Jan 2016</b>	Request and/ or follow-up with Water Board/ NERSA/ other Bulk Service providers for feedback on proposed municipal 2016/17 tariffs and engagement documentation submitted in Nov 2015	BTO	CFO	MFMA	14 January 2016
51		Tabling of 2014/15 Mid-Year Assessment	Office of the MM	Municipal Manager CFO	MFMA S72	21 January 2016
53		Submit Quarterly Report (Oct 2015 – Dec 2016) on implementation of budget and financial state of affairs to Council. Consider combining with MFMA S. 72 mid-year performance assessment.	Office of the MM	Mayor	MFMA S52(d)	7 January 2016
54	<b>Jan 2016</b>	Tabling of 2014/15 Annual Report to Council	Office of the MM	Municipal Manager	MFMA S127(2)	28 January 2016
58		Adjustment Budget: Finalise Capital and Operational budget projections for	BTO	CFO	MBRR 21	11 - 15 January 2016

		2015/2016				
59	<b>Feb 2016</b>	Submit Annual Report to Auditor General, Provincial Treasury and COGTA	Office of the MM	Municipal Manager	MFMA S(127)(5)(b)	25 February 2016
61		Ward Committee Meetings: Discuss and brief Ward Committees on Council's revised strategic plan, Strategic Objectives and envisaged deliverables.	IDP Office	IDP office	Internal Process	15 – 25 February 2016
62		Review tariffs and charges and determine affordable tariffs and finalise income budget.	BTO	CFO	MFMA s20	15 February 2016
		Midyear budget engagements	BTO	CFO	MFMA S127	16-17 February 2016
64		Municipalities receive inputs from National and Provincial Government and other bodies on factors influencing the budget, e.g. Grant Allocations	Office of the MM BTO	Municipal Manager CFO	MFMA21(2)(c)	15 – 22 February 2016
57	<b>Mar 2016</b>	Review all budget related policies	BTO	CFO	MBRR 7	14 – 17 March 2016
68		Draft IDP, Budget and proposed tariffs with Council Provide progress update to council against IDP/Budget process schedule and obtain approval for any adjustments to process.	IDP Office BTO	IDP Office CFO	Internal Process	30 March 2016
70		Publication of approved Draft Budget after approval per MSA and on municipal website	BTO	CFO	MBRR 26	31 March 2016
74		Council to Consider and adopt an oversight report on 2014/15 Annual Report	Office of the MM	Municipal Manager	MFMA S129(1)	30 March 2016
75	<b>April 2016</b>	Advertise & Inviting public comments on Draft Budget, Proposed Tariffs, and IDP Place copies of Draft Budget and IDP at all municipal buildings.	Corporate Services BTO	Director Corporate Services CFO	MBRR S15 MFMA S22	2 – 26 April 2016
76	<b>April 2016</b>	Forward Copy of preliminary approved Budget ,IDP, SDBIP & related documents (hard and electronic copies) to	Office of the MM	CFO IDP Manager	MFMA S22(b)	7 April 2016

		National & Provincial Treasury – 10 working days after tabling				
77		Attend District IDP Managers Forum- Present Draft IDP for input.	IDP Office	IDP Manager	Internal Process	April 2016
78		Public Consultation Meetings: Feedback / Consultation on preliminary approved IDP & Budget ( Details as per Annexure A)	Office of the MM	Municipal Manager Directors	MBRR S15 MFMA S23	18 – 27 April 2016
79		Engagement with the Provincial Treasury on draft budget benchmark	Office of the MM	Municipal Manager	MFMA Ch 5	12 April 2016
80		IDP office analyse public and Ward Committee comments and inputs on Draft IDP and Budget and prepare recommendations for Council's perusal	Corporate Services BTO	IDP office	MBRR S16(1)(a)	29 April 2016
81		Submit Quarterly Report (Jan 2016 – Mar 2016) on implementation of budget and financial state of affairs to Council	Office of the MM	Executive Mayor	MFMA s52(d)	7 April 2016
84	<b>May 2016</b>	Table final IDP, budget & related documents to Council for approval.	Office of the MM	Municipal Manager	MFMA S24(1)	26 May 2016
85		Inform local community on approved IDP and Budget Detail –Copies at Libraries	Office of the MM	Municipal Manager	MBRR S18	3 June 2016
86	<b>June 2016</b>	Send copy of approved Budget, IDP, & related documents (incl. final draft SDBIP) to National and Provincial Governments and other stakeholders Ensure Signed Quality Certificate as per S5 of MBRR is also attached.	IDP Office BTO	CFO IDP Manager	MFMA S24(3)	14 June 2016
87		Publication of Approved Budget and IDP within 10 workings days on Municipal Website	BTO IDP Office	CFO IDP Manager	MFMA S75(1)(a)	14 June 2016
88		Submit draft SDBIP to Mayor within 14 days after approval of budget	Office of the MM	Municipal Manager	MFMA S69(3)(a)	14 June 2016
89		Mayor approves the municipality's SDBIP within 28 days after the approval of the budget and submit hard and	Mayor's Office	Mayor	MFMA S(53)(1)(c)(ii)	28 June 2016



		electronic copy to NT and PT				
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## Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);

- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide electricity;
  - Provide water;
  - Provide sanitation;
  - Provide waste removal;
  - Provide housing;
  - Provide roads and storm water;
  - Maintaining the infrastructure of the Municipality.
2. Economic growth and development that leads to sustainable job creation by:
  - Ensuring there is a clear structural plan for the Municipality;
  - Ensuring planning processes function in accordance with set timeframes;
  - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
  - Effective implementation of the Indigent Policy;
  - Working with the provincial department of health to provide primary health care services;
  - Extending waste removal services and ensuring effective cleansing;
  - Ensuring all waste water treatment works are operating optimally;
  - Working with strategic partners such as SAPS to address crime;

- Ensuring safe working environments by effective enforcement of building and health regulations;
  - Promote viable, sustainable communities through proper zoning; and
  - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
- Optimising effective community participation in the ward committee system; and
  - Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
- Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
- Reviewing the use of contracted services
  - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The IDP revision process is underway the public participation process has been concluded and needs have been identified by the community members. As soon as the IDP has been completed the compilation of the SDBIP will take place.

The Final Budget of the Municipality is aligned with the IDP and SDBIP, currently it is only the capital projects that are stated as funded in the IDP that are aligned to the Capital Budget as per A5 of the schedules. Most of the projects as mentioned in the IDP are funded by donor departments therefore it won't form part of the budget of the municipality.

### **Overview of budget related-policies**

Draft policies have been reviewed and tabled with the draft budget. The following have been tabled: Property Rates, Indigent and Tariff Policies. The policies as mentioned is those policies that were amended to accommodate the tariff increases as well as the upward shifting on the amounts to qualify for an indigent.

### **Overview of budget assumptions**

#### **External factors**

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipalities finances.

### **General inflation outlook and its impact on the municipal activities**

There are four key factors that have been taken into consideration in the compilation of the 2016/17 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipalities residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and

**Collection rate for revenue services**

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

**Growth or decline in tax base of the municipality**

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

**Salary increases**

The collective agreement regarding salaries/wages is currently in negotiations but we have provided for an increase of 6% as per circular 79 of National Treasury.

**Impact of national, provincial and local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

## Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 95 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2016/17 MTREF of which performance has been factored into the cash flow budget.

## Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

NC064 Kamiesberg - Table A7 Consolidated  
Budgeted Cash Flows

Description  R thousand	R ef	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates, penalties & collection charges		6 620	1 910	(4 758)	7 834	7 834	7 834	2 265	8 811	9 357	9 909
Service charges		6 151	6 248	14 788	12 785	12 785	12 785	5 758	14 722	15 636	16 558
Other revenue		3 433	2 218	1 636	1 674	1 674	1 674	19 514	1 808	1 920	2 034
Government - operating	1	25 292	13 109	18 457	21 333	21 333	21 333	13 191	22 166	22 813	24 199
Government - capital	1	8 451	7 595	8 635	7 960	7 960	7 960	4 510	9 606	7 619	7 781
Interest		2 090	74	141	1 305	1 305	1 305	32	1 461	1 552	1 643
Dividends		88							-	-	-
<b>Payments</b>											
Suppliers and employees		(29 352)	(26 263)	(26 920)	(39 031)	(39 031)	(39 031)	(48 803)	(45 694)	(48 527)	(51 390)
Finance charges		(130)	(91)	(679)	(71)	(71)	(71)	(46)	(78)	(83)	(88)
Transfers and Grants	1	(4 682)	-	(1 623)	(9 174)	(9 174)	(9 174)	(1 931)	(11 616)	(9 964)	(11 381)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>17 961</b>	<b>4 800</b>	<b>9 677</b>	<b>4 615</b>	<b>4 615</b>	<b>4 615</b>	<b>(5 510)</b>	<b>1 186</b>	<b>323</b>	<b>(735)</b>

CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		119	18	52				226	-	-	-
Decrease (Increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets									-	-	-
NET CASH FROM/(USED) INVESTING ACTIVITIES		119	18	52	-	-	-	226	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		346		274					-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing		(313)	(161)	(241)					-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		33	(161)	33	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		18 113	4 657	9 762	4 615	4 615	4 615	(5 284)	1 186	323	(735)
Cash/cash equivalents at the year begin:	2	(2 986)	(3 361)	195	1 592	1 592	1 592	136	1 592	2 778	3 101
Cash/cash equivalents at the year end:	2	15 127	1 296	9 957	6 207	6 207	6 207	(5 148)	2 778	3 101	2 366

### Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there

The Kamiesberg Municipality don't have any cash back reserves the only way that we can get a cash funded budget is through the consumer debtors.

Description	R ef	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audite d Outco me	Audite d Outco me	Audite d Outco me	Origina l Budget	Adjuste d Budget	Full Year Foreca st	Pre- audit outcom e	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>											
<b><u>Cash and investments available</u></b>											
Cash/cash equivalents at the year end	1	15 127	1 296	9 957	6 207	6 207	6 207	(5 148)	2 778	3 101	2 366
Other current investments > 90 days		(18 487)	(1 101)	(9 092)	(4 012)	(4 012)	(4 012)	3 309			
Non current assets - Investments	1	-	-	-	-	-	-	-	(457)	(826)	(91)
<b>Cash and investments available:</b>		(3 360)	195	865	2 195	2 195	2 195	(1 839)	2 321	2 275	2 275
<b><u>Application of cash and investments</u></b>											
Unspent conditional transfers		5 218	8 142	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	5 972	24 438	38 689	(5 171)	1 400	2 427	(38 047)	(4 303)	(4 304)	(4 262)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		11 190	32 580	38 689	(5 171)	1 400	2 427	(38 047)	(4 303)	(4 304)	(4 262)
<b>Surplus(shortfall)</b>		(14 550)	(32 385)	(37 824)	7 366		795	36 (232)	6 624	6 579	6 537

NC064 Kamiesberg - Supporting Table SA19 Expenditure on transfers and grant programme

[illegible]



<b>and Grants</b>									
<b>National Government:</b>	13	17	18	20	13	13	21	21	23
Local Government Equitable Share	541	221	888	368	965	965	185	769	155
Finance Management	041	681	154	563	160	160	175	424	555
EPWP Incentive	500	650	800	875	875	875	010	345	600
Municipal Systems Improvement		000	000	–	–	–	000	–	–
		890	934	930	930	930	–	–	–
Other transfers/grants [insert description]									
<b>Provincial Government:</b>	405	462	–	965	965	965	981	044	044
Sport and Recreation	405	462	–	965	965	965	981	044	044
Other transfers/grants [insert description]									
<b>District Municipality:</b>	–	–	–	–	–	–	–	–	–
[insert description]									
<b>Other grant providers:</b>	–	–	–	–	–	–	–	–	–
[insert description]									
<b>Total operating expenditure of Transfers and Grants:</b>	946	683	888	333	930	930	166	813	199
<b>Capital expenditure of Transfers and Grants</b>									
<b>National Government:</b>	–	686	129	960	960	960	606	619	781
Municipal Infrastructure Grant (MIG)		686	129	460	460	460	606	619	781
Integrated National Electrification Programme				500	500	500			000
<b>Provincial Government:</b>	–	–	–	–	–	–	–	–	–
Other capital transfers/grants [insert description]									
<b>District Municipality:</b>	–	–	–	–	–	–	–	–	–
[insert description]									
<b>Other grant providers:</b>	–	–	–	–	–	–	–	–	–
[insert description]									
<b>Total capital expenditure of Transfers and Grants</b>	–	686	129	960	960	960	606	619	781
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>	946	369	017	293	890	890	772	432	980

## MBRR SA22 - Summary of councillor and staff benefits

[illegible]

				501	242	242	242	433	460	487
Overtime				–	403	403	403	427	454	480
Performance Bonus				–	–	–	–	–	–	–
Motor Vehicle Allowance	3			396	330	330	330	396	421	445
Cellphone Allowance	3			32	30	30	30	18	19	20
Housing Allowances	3			171	108	108	108	107	113	120
Other benefits and allowances	3			98	965	965	965	143	152	161
Payments in lieu of leave				–	–	–	–	–	–	–
Long service awards				–	–	–	–	–	–	–
Post-retirement benefit obligations	6			–	–	–	–	–	–	–
Sub Total - Other Municipal Staff		–	–	12 508	13 665	13 665	13 665	15 205	16 148	17 100
% increase	4		–	–	9,3%	–	–	11,3%	6,2%	5,9%
Total Parent Municipality		–	–	17 568	18 526	18 526	18 526	19 799	21 029	22 268
			–	–	5,5%	–	–	6,9%	6,2%	5,9%

### Contracts having future budgetary implications

In terms of the Municipalities Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

NC064 Kamiesberg - Supporting Table SA32 List of external mechanisms

External mechanism	Yrs/ Mths	Period of agreement 1.	Service provided	Expiry date of service delivery agreement or contract	Monetary value of agreement 2.
Name of organisation		Number			R thousand
Mubesko	Yrs	3	Annual Financial Statements	01 July 2018	
Ignite	Yrs	3	Performance Management System	01 July 2018	
Tgis	Yrs	3	Records Manamnet System		
Business Connexion	Yrs		Accounting system		
Value data	Yrs	4	Property Valuations	01 July 2017	

## **Legislation compliance status**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

### **1. In year reporting**

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the website.

### **2. Internship programme**

The Municipality is participating in the Municipal Financial Management Internship programme and has employed interns undergoing training in various divisions of the Financial Services Department.

### **3. Budget and Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA.

### **4. Audit Committee**

The Municipality forms part of the shared service model with the District Municipality for an Audit Committee.

### **5. Service Delivery and Implementation Plan**

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2016/17 MTREF in May 2016 directly aligned and informed by the 2016/17 MTREF.

### **6. Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

### **7. MFMA Training**

The MFMA training module in electronic format is presented at the Municipalities internal centre and training is ongoing.

### **8. Policies**

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

## Other supporting documents

**Table SA1 - Supporting detail to budgeted financial performance**

NC064 Kamiesberg - Supporting Table SA1 Supporting detail  
to 'Budgeted Financial Performance'

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
<b>REVENUE ITEMS:</b>											
<u>Property rates</u>	6										
Total Property Rates		2 730	3 164	6 293	7 833	9 022	9 022	9 022	8 864	9 413	9 968
<i>less Revenue Foregone (exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)</i>											
Net Property Rates		730 <sup>2</sup>	164 <sup>3</sup>	293 <sup>6</sup>	833 <sup>7</sup>	9 022	9 022	9 022	8 864	9 413	9 968
<u>Service charges - electricity revenue</u>	6										
Total Service charges - electricity revenue		2 084	3 090	4 994	5 752	6 541	6 541	6 541	6 856	7 280	7 710
<i>less Revenue Foregone (in excess of 50 kwh per indigent household per month)</i>											
<i>less Cost of Free Basis Services (50 kwh per indigent household per month)</i>		782	864	877	914	914	914		1 109	1 177	1 246
Net Service charges - electricity revenue		302 <sup>1</sup>	226 <sup>2</sup>	117 <sup>4</sup>	838 <sup>4</sup>	5 627	5 627	6 541	5 747	6 103	6 464
<u>Service charges - water revenue</u>	6										
Total Service charges - water revenue		2 039	2 109	3 792	3 843	4 426	4 426	4 426	4 786	5 082	5 382
<i>less Revenue Foregone (in excess of 6 kilolitres per indigent household per month)</i>											
<i>less Cost of Free Basis Services (6 kilolitres per indigent household per month)</i>		542	588	626	711	711	-		626	678	720
Net Service charges - water revenue		497 <sup>1</sup>	521 <sup>1</sup>	166 <sup>3</sup>	132 <sup>3</sup>	3 715	4 426	4 426	4 160	4 404	4 662
<u>Service charges - sanitation revenue</u>											
Total Service charges - sanitation revenue		1 024	1 221	1 290	1 400	1 534	1 534	1 534	1 243	1 321	1 398
<i>less Revenue Foregone (in excess of free sanitation service to indigent households)</i>											
<i>less Cost of Free Basis Services (free sanitation service to indigent households)</i>		193	257	156	163	163	163		163	182	194
Net Service charges - sanitation revenue		831	964	134 <sup>1</sup>	237 <sup>1</sup>	1 371	1 371	1 534	1 080	1 139	1 204
<u>Service charges - refuse revenue</u>	6										
Total refuse removal		1	1	1	1						

revenue		456	520	660	790	2 078	2 078	2 078	1 925	2 045	2 166
Total landfill revenue											
less Revenue Foregone (in excess of one removal a week to indigent households)											
less Cost of Free Basis Services (removed once a week to indigent households)											
		845	915	809	797	797	797		797	812	832
Net Service charges - refuse revenue		611	605	851	993	1 281	1 281	2 078	1 129	1 233	1 334
<u>Other Revenue by source</u>											
Fuel Levy		1			1						
Other Revenue		086	675	958	396	2 167	2 167	2 167	1 574	1 672	1 771
Total 'Other' Revenue	1	086	675	958	396	2 167	2 167	2 167	1 574	1 672	1 771
<b>EXPENDITURE ITEMS:</b>											
<u>Employee related costs</u>											
Basic Salaries and Wages	2	853	263	049	459	11 459	11 459	11 459	12 707	13 495	14 291
Pension and UIF		1	2	1	1						
Contributions		623	143	445	723	1 723	1 723	1 723	1 877	1 994	2 112
Medical Aid Contributions		207	241	767	307	307	307	307	525	558	591
Overtime				600	403	403	403	403	427	454	480
Performance Bonus		723	882								
Motor Vehicle Allowance		216	757	757	631	631	631	631	703	746	790
Cellphone Allowance		78	75	77	67	67	67	67	55	59	62
Housing Allowances		364	146	220	146	146	146	146	146	155	164
Other benefits and allowances				120	078	1 078	1 078	1 078	1 130	1 200	1 271
Payments in lieu of leave		341	288								
Long service awards											
Post-retirement benefit obligations	4										
sub-total	5	405	795	035	814	15 814	15 814	15 814	17 570	18 661	19 761
Less: Employees costs capitalised to PPE											
Total Employee related costs	1	405	795	035	814	15 814	15 814	15 814	17 570	18 661	19 761
Total Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-
<u>Depreciation &amp; asset impairment</u>											
Depreciation of Property, Plant & Equipment		406	013	648	865	2 865	2 865	2 865	2 865	2 865	2 865
Lease amortisation											
Capital asset impairment											
Depreciation resulting from revaluation of PPE	10										
Total Depreciation & asset impairment	1	406	013	648	865	2 865	2 865	2 865	2 865	2 865	2 865
<u>Bulk purchases</u>											
Electricity Bulk Purchases		000	212	369	588	10 593	10 593	10 593	10 899	11 575	12 258
Water Bulk Purchases		356	649	720	810	105	105	105	341	362	384
Total bulk purchases	1	356	861	089	398	10 698	10 698	10 698	11 240	11 937	12 642

<b><u>Transfers and grants</u></b>											
Cash transfers and grants		827 <sup>8</sup>	147 <sup>8</sup>	623 <sup>1</sup>	311 <sup>2</sup>	2 311	2 311	2 311	2 542	2 700	2 859
Non-cash transfers and grants		–	–	–	–	–	–	–	–	–	–
<b>Total transfers and grants</b>	1	827 <sup>8</sup>	147 <sup>8</sup>	623 <sup>1</sup>	311 <sup>2</sup>	2 311	2 311	2 311	2 542	2 700	2 859
<b><u>Contracted services</u></b>											
<i>List services provided by contract</i>											
		402	576	647	100						
<i>sub-total</i>	1	402	576	647	100	–	–	–	–	–	–
<b>Total contracted services</b>		402	576	647	100	–	–	–	–	–	–
<b><u>Other Expenditure By Type</u></b>	–										
Collection costs											
Contributions to 'other' provisions											
Consultant fees											
Audit fees									2 100	2 230	2 362
General expenses	3	044 <sup>4</sup>	426 <sup>5</sup>	925 <sup>6</sup>	356 <sup>13</sup>	12 303	12 303	12 303	7 641	5 415	2 875
<b>Total 'Other' Expenditure</b>	1	044 <sup>4</sup>	426 <sup>5</sup>	925 <sup>6</sup>	356 <sup>13</sup>	12 303	12 303	12 303	9 741	7 645	5 237
<b>Repairs and Maintenance by Expenditure Item</b>	8										
Employee related costs											
Other materials		051 <sup>2</sup>	936	194 <sup>1</sup>	898 <sup>2</sup>	2 898	2 898		2 370	2 517	2 666
Contracted Services											
Other Expenditure											
<b>Total Repairs and Maintenance Expenditure</b>	9	051 <sup>2</sup>	936	194 <sup>1</sup>	898 <sup>2</sup>	2 898	2 898	–	2 370	2 517	2 666

**Municipal manager's quality certificate**

I Joseph Gerhardus Cloete, municipal manager of Kamiesberg Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_

Municipal manager of Kamiesberg Local Municipality (NC064)

Signature \_\_\_\_\_

Date \_\_\_\_\_